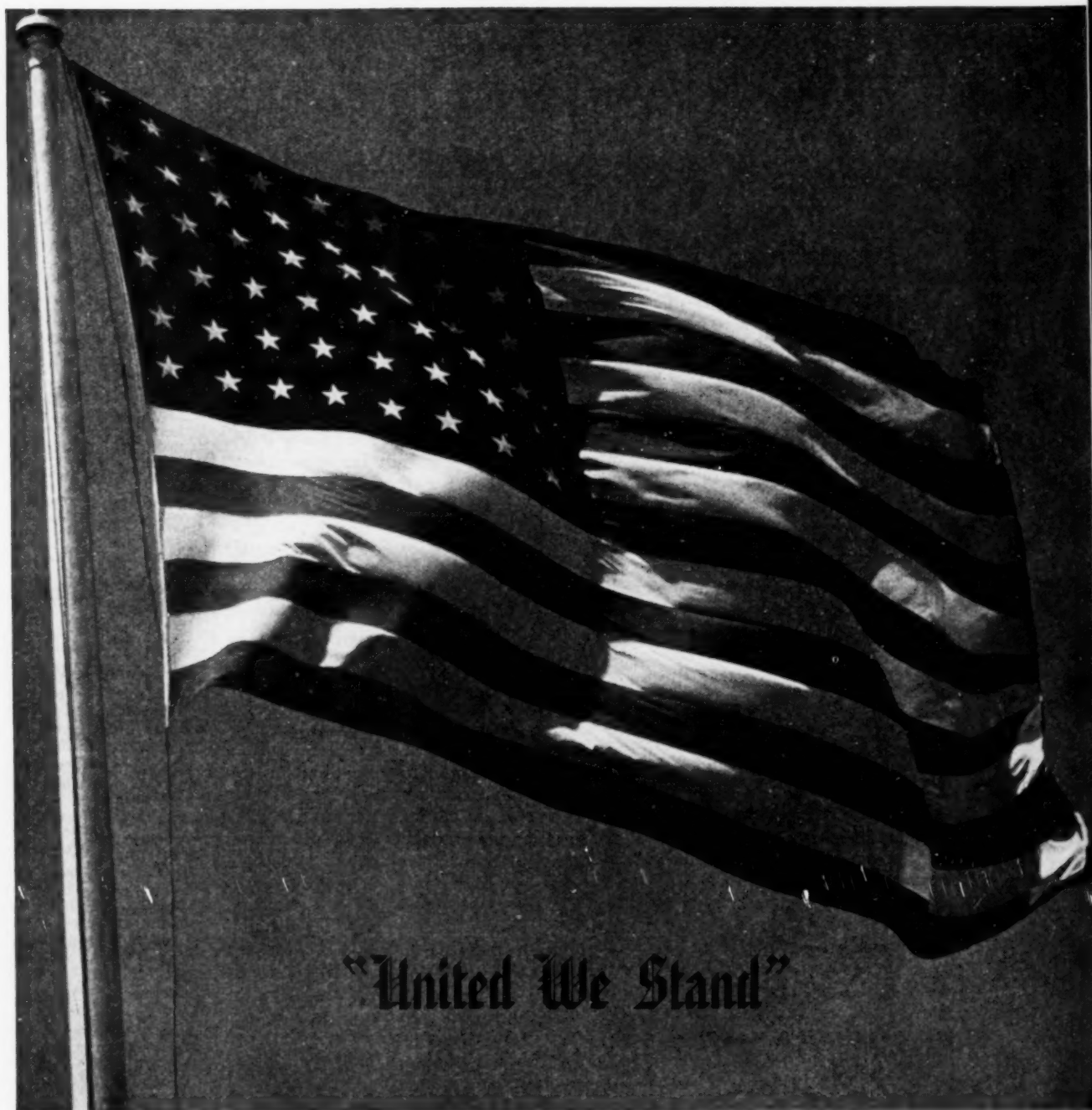


The BRIDGE

The Credit Union Way to Economic Betterment

Official
Publication
of the
CREDIT UNION
NATIONAL
ASSOCIATION
Inc.



"United We Stand"

JULY ☆ 1943

What Is a Credit Union?

A CREDIT union is as important as the vision of the people who organize it. It may be a means of combating usury. It may be a convenient and humane way of saving money and making loans at low rates. Or it may be the foundation of a better and fuller community life. It may be the bridgehead of democracy on the forbidding coast of finance. What it shall be is up to the members.

It is organized like a club: one member one vote, with officers elected from the membership.

It is organized for a particular group: people working for the same employer; people who are members of the same church, labor union, fraternal order; people who live in the same small community.

Membership is open to anyone in the group, regardless of race, color or creed.

The credit union is used by its members to accumulate their savings and to make loans to each other from their savings. A board of directors elected by the members controls the policies of the credit union. A treasurer appointed by the directors takes care of the business details. A credit committee elected by the members passes on applications for loans. Each year in an annual meeting the members review the business of the credit union and vote on policies.

The financial soundness of the credit union is safeguarded in several ways: by incorporation under State or Federal law, by a supervisory committee which periodically inspects the books independently of the treasurer, by an annual examination of the books by State or Federal authority and by bonding the treasurer and all other officers who handle money.

Since the credit union is run like a club—with most of the members being acquainted with each other, officers serving for the most part without pay and the expenses of doing business quite low—the credit union is an economical source of credit. Interest rates are never higher than 1 per cent per month on unpaid balance, while loan companies charge as high as 3½ per cent per month. Thus a credit union loan of \$100 paid off in ten months would cost \$5.50 in interest, while the same loan from a loan company would cost as much as \$19.25.

Credit union earnings are used to defray expenses, to set up a reserve

fund against uncollectible loans and to pay dividends on savings accounts. Losses in credit unions have been remarkably low, averaging about one-tenth of one per cent; the feeling of loyalty to the credit union, which after all is just a group of friends and acquaintances, accounts for this.

Loans may be made for any purpose which is to the member's benefit—any "provident or productive purpose." Common reasons for borrowing include paying off old bills, buying for cash rather than on instalments, taxes, medical bills, funeral expenses, home repairs, farm equipment, vacations, wedding expenses, education, helping a friend and so on. Laws vary as to how much a credit union may lend to any one member, but it is common for a credit union to lend as much as \$2,000 with security; and it is common for a credit union to lend as much as \$200 on the borrower's signature.

THE credit union, it should be remembered, is primarily a cooperative association of people who want to help each other out. It can rescue its members from high-rate money lenders, it can save money for its members in many minor transactions, it can serve as a helpful adjunct of a church, farm community or labor union, it can offer social activity and an outlet for the creative ability of its members. A well-knit credit union, with active members and sympathetic officers, can help its members through almost any emergency: sickness, unemployment, crop failure, strikes, disasters.

Every effort should be made to bring as many members as possible into the credit union. Every effort should be made to give them an intelligent understanding of how their credit union works. It should always be remembered that a credit union, for maximum strength and effectiveness, needs equally able officers and a membership aware of its rights.

There are ten thousand credit unions in the United States. They are organized in forty-eight State credit union leagues, which are associated in the Credit Union National Association. The State leagues and the National Association maintain field men, publications and numerous other services designed to help credit unions in their operations and to assist in the organization of credit unions wherever the need exists.

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CASH AND CARRY TAXES

By Roy F. Bergengren

SOMEONE has said that the "pay as you go plan" may better be described as "cash and carry taxes"—you pay cash and you carry the load. There has been so much written about it in newspapers and it has been so thoroughly discussed by commentators over the radio that the basic principle of this new method of Federal taxation is fairly well understood.

It faces up to the very simple and understandable problem involved in the most stupendous war in all history, a war which costs so much each minute of each hour of each day that we do not have to be told that taxes must be levied in hitherto undreamed of totals and war bonds sold in astronomical numbers to pay the bill. We are buying with this prodigious outpouring of national wealth—democracy—the certainty of the continuance of democracy in the long years ahead, when we will know full well that such democracy is worth the price we pay for it.

This particular war is interesting primarily because, for the first time, it is being brought home to us daily that modern, global war is everybody's business. To win this war we must fight it—not only at the front where the foe is to be met and put out of business—but in the kitchen, on the family table, in the garage, in every manifestation of the daily life of the individual and particularly in his pocketbook. This is our war—your war and my war—and while your boy and my boy fight it out with the toughest two enemies ever recruited from the forces of darkness, you and I dig deeper and deeper and will continue the process until the victory is won—and like it.

Therefore this pay as you go "cash and carry tax" is a privilege. It is our chance to show Hitler and Tojo and Mussolini that we will provide what it takes to win.

Let us think of the tax, therefore, as our privilege as members of a democracy, to fight for its perpetuation. When we get this notion we will also appreciate that the tax must be met in addition to our purchase of war bonds. This is a two-fisted war. We can't win it with just a good right; we need also an effective left. We fight with both fists. The war bonds are our good right, the taxes our equally good left. We hit the enemy

with everything we've got, including the water-bucket. If we stop buying war bonds in order to pay taxes—it's like putting our right in our pocket while fighting only with our left. To keep punching with both hands—*by buying war bonds and paying the 20%*—we probably will have to do some very close figuring. We'll have to budget, a good habit in peace time and absolutely essential in war time. We'll have to economize; we'll have to plan; *we'll have to use our credit unions in the pinches*. It isn't going to be easy, but if we are going to be the kind of fighting men our boys are on all the battlefields of the world—we'll match their spirit and equal their love of country by going all out—*10% for war bonds and 20% for taxes*.

Let's look into the tax and see what we can find out about it. No one will admit that he knows much about it but there are a few fundamentals which sound relatively simple. This is being written with the thought in mind that it may have value for credit unions employing full or part time help and also for credit union members who work for wages or salaries.

First, we have the simple fact that 20% of your net earnings, after allowing for personal exemptions and credit for dependents, will be taken out of your pay check every pay day as a payment on account of Federal taxes, that is, unless you have so many dependents (as will be noted later) that will practically wipe out the tax, or if you are a soldier or a sailor and are dependent on the average pay of a soldier or a sailor (also as afterwards herein indicated) you will find you have a complete exemption.

If the reader of this article has to do with credit union management and the credit union employs one or more persons, either part or full time, he must see to it that the credit union withholds the income tax from the said employee or employees, regardless of their number or of how much or how very little they may be paid.

If you are a self-employed person or receive income from other sources than wages you must estimate your income liability for the year in advance and make quarterly payments of the estimated tax.

There are many things which will happen later on which will not be included in this article; as herein we are just trying to get off on the right foot

by considering what happens right now, in July.

It starts with the payroll periods beginning on and after July 1. It does not apply therefore to wages or salaries earned any time during June and paid July 1. At that time the 5% Victory tax deduction apparently disappears; at least it is no longer visible on the surface so that the *net increased* deduction is 15%. This monthly 20% deduction will apply against the employee's income tax due for the current year and we shall save also, for a later article, just how the balance is struck at the end of the year.

Incidentally, the first installment of the quarterly tax paid by the other than employed person will be due September 15, 1943. And on March 15, 1944 the tax payer will file an income tax return similar to the one that has been filed in the past, giving details of income, deductions, credits, etc., so that the actual tax due on 1943 income may be accurately determined and a balance struck.

Then will be time for some tall figuring and as that's some months away we will skip it until a later issue. There are enough immediate problems to keep us busy without trying at this stage to figure who is going to owe who and how much at the end of the year.

The credit union, considering the withholding of the 20% from all its employees, will note that many employees are part time and have another full time job. The exemptions will be deducted but once and that from the tax payers full time pay. If the credit union employs a full time treasurer, for example, the exemptions will be deducted from pay of the full time employee before determining the balance left from which the 20% is to be deducted. The exemption is only deducted once, in cases where the employed person has a full time job and a part time job.

What Are the Exemptions?

The exemption for a single (unmarried) wage earner is \$624. The exemption for a married wage earner is \$1,248. Each dependent, additional to the wife, is worth an extra \$312 a year. If the employed person is, for example, paid weekly, the exemption is deducted from his total annual income

(Continued on page 159)

Alton-Wood River Chapter Develops Productive Newspaper Advertising

Geo. K. Vancil, Chairman Educational Committee of Western Cartridge Employees Credit Union, Originates Plan

EVERY week since December 7, 1942, the Alton Evening Telegraph, a daily newspaper, published at Alton, Illinois, has carried a credit union display ad. This ad has been financed by the credit unions in the Alton-Wood River Chapter of the Illinois Credit Union League.

Chapters and leagues have in the past financed newspaper advertisements, designed to stimulate interest and desire on the part of groups in the organization of credit unions. A number of individual credit unions advertise their services and benefits in the public press, but THE BRIDGE believes that this is the first time that credit unions have joined together, to finance a newspaper advertising program of a year's duration.

It has often been said that necessity is the mother of invention. And it was the fact that the Western Cartridge Employees Credit Union keenly realized the necessity of getting credit

union educational material into the homes of their members that caused George K. Vancil, Chairman of the Educational Committee of the Western Cartridge Employees Credit Union, to conceive and put into effect the newspaper advertising program sponsored by the Alton-Wood River Chapter.

In the exchange of letters with THE BRIDGE regarding this program, Vancil says:

"Last fall the Western Cartridge Employees Credit Union considered ways and means of getting educational material concerning credit unions into the homes of its members. Our purpose being to familiarize the housewife with the existence and services of the credit union; since we believe that most family financial problems are her lot."

"Because of the large employment in our plant, the usual methods were

unsatisfactory. Hand-bills instead of being carried home, were dropped and cluttered the plant entrance. Placing folders in clock-card racks and pay-check envelopes were considered, but for various reasons could not be adopted."

"We were faced with the problem of designing a program to take full advantage of means available. We are located in an industrial area with a population of approximately 50,000; a trading area of approximately 100,000; with an estimated 24,000 employed in industry. We have a first class daily newspaper of 22,000 circulation, which covers the area thoroughly."

"Newspaper advertising seemed to be the answer, but had always been considered too expensive. The matter was, however, discussed with the local people, and we learned that an ad, six inches wide and five inches long could be secured on the classified page, once a week at an average monthly cost of \$40.95 or \$491.40 per year."

"It was at this point that we conceived the idea of having the chapter sponsor the newspaper advertising program."

"There are nineteen credit unions in the Alton-Wood River Chapter area; seventeen are members of the chapter."

"The reasons for having the chapter sponsor the program were obvious and logical—the credit union advertising would reach a majority of the active and potential members of each credit union in the area, and the cost could be prorated among the individual credit unions; thus making the expense per credit union very reasonable."


"With this plan in mind, a representative of the newspaper's advertising department and I worked up three sample ads, and presented the program to the Director's of the Chapter, at their regular monthly meeting on November 9, 1942. After considerable discussion, a resolution was passed by the Directors authorizing the sponsor-

Meet the

UMBRELLA MAN

emblem of the

CREDIT UNION



CREDIT UNIONS are owned and operated by employees of the plants in which they are located,—not for profit, not for charity, but for **SERVICE**.

PERSONAL LOANS from \$5 to \$1000 at low interest rates. No red tape. No Delay.

Alton - Wood River Chapter of Illinois Credit Union League

MEMBERS:

Alton Boxboard and Paper Co. Credit Union. Illinois Bell Telephone Co. Employees' Credit Union Community Teachers' Federal Credit Union Alton Illinois Terminal Federal Credit Union. Laclede Alton Works Employees' Credit Union Millers Mutual Employees' Credit Union Shell Wood River Federal Credit Union Western Cartridge Employees' Credit Union Wood River Oil & Refining Co. Federal Credit Union	Atlas Credit Union Alton Bus Employees' Credit Union Alton Postal Employees Credit Union Altonized Federal Credit Union Duncan's Employees' Credit Union Litchfield Brown Credit Union Litchfield Radiator Credit Union Luer Bros. Employees' Credit Union Wood River ISCO Credit Union
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ing of the program by the Chapter. This was dependent, however, on the approval of the boards of directors of the member credit unions. The two credit unions not associated with the chapter were invited to participate."

"As there was no provision in the chapter dues to cover such a program it was decided that the cost of \$40.95 per month, for the ads, would be prorated on the basis of the assets of each credit union as of November 30, 1942. Further, it was agreed that any member credit union with assets of less than \$5000 would be included, even though they felt it impossible to pay their share. If they desired to pay, however, their prorata share would be computed on the basis of \$5000 of assets."

"Approval of the various boards of directors was received promptly, and the chapter entered into a contract with the newspaper for one ad per week, for fifty-two consecutive weeks, on the classified ad page. The classified page was selected as it carried a lower rate, and offered some assurance that our ad would not be overshadowed by larger displays."

"To introduce the program, the first ad, which appeared on December 7, 1942, carried a picture of the little man under the umbrella; the emblem of the credit union movement. It also listed the name of each credit union in the area. This gave the housewife an opportunity to note whether there was a credit union in the place where she or her husband worked. For continuity, subsequent ads carry a small cut of the emblem in the left or right hand corner."

"New ads are prepared each week. The representative of the advertising department of the newspaper and I discuss points to be stressed, and then he works up copy for approval. In this respect, it is constantly borne in mind that the basic purpose of the credit union is to be of financial assistance through loans and savings to its members. Further that this can be accomplished by encouraging the members to:

1. Consolidate their debts in the credit union.
2. Pay cash and save money.
3. Develop habits of thrift.

"It must be remembered at all times that the sole endeavor of the credit union in performing these functions is *not to make a profit*, but to be of *maximum service* to its members.

"The advertising should often advise the reader to check the total amount of interest and other charges he will be required to pay before making a loan. This is important, as some states permit small loan agencies

to charge an interest rate of 3% per month on the unpaid balance, while the maximum that credit unions can charge is only 1% per month on the unpaid balance."

"Even though most credit unions have a large quantity of idle money at present, the third point is also stressed in the advertising. Emphasizing thrift will lend credence to the credit union slogan: Not for Profit, Not for Charity, But for Service. The copy in these ads points out that many credit unions have pay roll deduction arrangements, with the companies, whose employees the credit union serves, and that this offers a convenient and sure method of systematic saving.

"At this time the benefits of the chapter newspaper advertising program are difficult, if not impossible to measure. Certainly the ratio of potential benefits to cost is considerably above what would be considered a satisfactory basis for any advertising program. If you wish to disregard that factor, then we still have left the fact that we are matching the activity of local small loan agencies. That in itself, in our opinion, is sufficient to justify the time, effort and cost."

"It is our opinion," concludes Vancil, "that a program such as we have put into effect could be adjusted to meet the requirements of most chapters. The exception, perhaps, being those in metropolitan areas where more than one newspaper would be required to obtain the desired coverage, which would of course increase



Geo. K. Vancil's full time job is in the Sales Department of the Brass Mill Division of the Western Cartridge Company. He was elected to the Board of Directors of the Western Cartridge Employees Credit Union in January 1942. In May 1942 he was appointed to the Educational Committee, which he now serves as Chairman.

the cost. But on the other hand in such an area there would be more credit unions, and perhaps the cost per individual credit unions would not be greater than in our area."

In an effort to gather the opinion and experience of the participating credit unions in this plan for its readers THE BRIDGE sent a questionnaire to the nineteen credit unions of the Alton-Wood River Chapter area. Thirteen credit unions returned the questionnaire.

These three questions were asked:

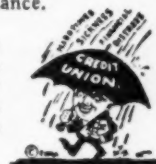
1. What results has this newspaper advertising produced?
2. Do you plan to continue using newspaper advertising?
3. Would you advise other credit

Whistle While You Work,

You will, too, if you do not have any outstanding bills to worry you . . .

It's a grand and glorious feeling not to owe a dime in the world. You can feel that way—See the CREDIT UNION at the plant where you work. Arrange for a personal loan to pay your outstanding bills. You can repay conveniently each month. Maximum interest rate is only 1% per month on unpaid balance.

CREDIT UNIONS are owned and operated by employees at the plants in which they are located—not for profit, not for charity, but for SERVICE. As COOPERATIVE organizations, they offer low interest rates and convenient service for benefit of employees.



Alton-Wood River Chapter
Of Illinois Credit Union League





If you are the wife of an employee at a plant where a Credit Union is located—

...You'll
Be Glad
You Read
This Ad ...

YOUR family may be troubled by an immediate need for cash to meet some emergency. If so, let this ad lead your husband to us, and see how readily you can get the cash you need. He can repay out of earnings through the year. No delay. No red tape. No embarrassing investigation. Credit unions are owned by employees — they offer low interest rates and convenient service for benefit of employees.

Alton-Wood River Chapter
Of Illinois Credit Union League



unions and chapters to adopt your plan?

The replies clearly indicate that as a whole the credit unions have reaped worthwhile benefits, plan to continue the program and advise other credit unions and chapters to adopt the idea.

In reply to the first question: five credit unions indicated by their answers that the results insofar as they were concerned had been "very good"; three credit unions felt the results were "good"; one said "fair" and three could detect "no results."

In reply to question number two: eight credit unions stated that they planned to continue using newspaper advertising; one said "perhaps"; two said they were being carried along as they could not afford to pay and one said they would participate in the plan for a year.

The replies to the third question were: nine credit unions would advise other credit unions and chapters to adopt the plan; one credit union would not; one stated "larger credit unions claim results, I am, however, in favor of advertising."

These answers to the question—What results has this newspaper advertising produced?—are quoted verbatim from the returned questionnaires.

"Fair."

"Increased interest in our credit union not only among the members, but potential members as well."

(a) "Education of employees and especially their wives and families."

(b) "Diverting the practice of bor-

rowing from local competitive loan and finance companies at higher rates of interest."

(c) "Meeting the continuous advertising of the local competitive loan and finance companies at higher rates of interest."

"As far as the results produced in favor of our own credit union, we have found none, but our credit union is very small (36 members)."

"The results of institutional adver-

tising are intangible. We have nothing to sell but good will in the type of advertising that the chapter has used so far, therefore the answer is 'no' as to immediate results.

"We have noticed that these newspaper advertisements have strengthened the employee's opinion of our credit union."

"Very good, gets credit union over to the wife of the man."

"None."

"As an educational feature it is taking the credit union message and services into the home, where the family can understand it. Our ads appear weekly and it appears to be well received."

"It has brought the credit union to a lot of people who had never before bothered to find out what the credit unions were for, and has created considerable interest."

"Has helped to bring new members into the organization."

Question number two: Do you plan to continue using newspaper advertising?—produced these answers:

"Yes."

"Yes."

(a) "The Alton-Wood River Chapter has an advertising program under contract with the local newspaper on an annual basis with monthly installment payments."

(b) "Advertising insertions every Monday evening for the fiscal year."

(c) "Further advertising shall be considered at the expiration of fiscal year."

"We are being carried along now as
(Continued on page 161)

Figure it for Yourself!

See how much you can
Save by borrowing from
Your CREDIT UNION

The maximum monthly interest
rate permitted by law on unpaid
balances

IS ONLY.....

1%

Compare that with up to 3% per-
mitted by other small loan agencies!

When you need cash — see the CREDIT
UNION at the plant where you work. It
is operated by employees, for employees—
not for PROFIT, not for CHARITY—but
for SERVICE.



Alton-Wood River Chapter
Of Illinois Credit Union League

Why and How

To Audit Credit Unions

By Tom Doig

THERE is growing interest at the present time in the activities of supervisory committees. It is a good idea to check up now and then on how good a job is being done. For that reason, I am repeating here some things I have said before: I don't think they can be said too often.

The credit union is intended to be a self-help organization operated by its members for their own financial betterment. Although most credit union laws provide that the credit union shall be audited annually by either a state or federal supervising body, the ideal of the credit union is best attained when the whole responsibility for auditing and supervision is assumed by the credit union members themselves. Under our present credit union structure this responsibility for auditing and supervision devolves upon the Supervisory Committee.

The Supervisory Committee is, under most laws, elected annually by the members, but in some cases is appointed by the Board of Directors. Primarily it is the business of the Supervisory Committee to serve the credit union in the capacity of auditors. Any financial institution should be frequently audited. In the credit union we should not depend for this audit on the state or federal government. It should be conducted by the members of the credit union through the Supervisory Committee. Most of our credit union laws provide that the Supervisory Committee shall make a complete audit at least once each quarter. The audit should be constant and continuous.

Were I elected during this month to serve on the Supervisory Committee of a credit union I would drop in at the credit union office on the last day of the month and ask the credit union treasurer for the key to his cash box or access to the safe. I would count the cash on hand myself. Then, when the bank statement was received by the credit union on the first of the month I would insist that my fellow-members of the supervisory committee reconcile that statement with me. A properly functioning Supervisory Committee should reconcile the bank statement each month. This duty

should not be left to the credit union treasurer.

Each month the treasurer of a properly operated credit union prepares a financial statement. This statement is usually posted in a conspicuous place in the credit union office or on the bulletin board and there left until replaced.

When a member of the Supervisory Committee signs this financial statement his signature thereon indicates that he has verified the cash accounts of the credit union and found them to be in good order. The signature of a member of the Supervisory Committee cannot properly be affixed to this statement unless he has counted the cash of the credit union on the last day of the month and followed this by personally reconciling the bank statement. When you sign this statement you are telling the members of your credit union that as a member of the Supervisory Committee you have checked the accounts of the credit union and that the financial statement as prepared by the Treasurer is correct. Do not make such a statement to your fellow members if it is not true.

It is my firm belief that Supervisory Committees should function continuously rather than once each quarter. This will really simplify and reduce to a minimum the work to be performed by the members of the committee. If a credit union receives cash today that cash should be deposited in the bank tomorrow. This practice tends toward safety, reduces the opportunity for errors to creep in, and thus reduces the amount of effort expended by the Treasurer in keeping the books. Therefore, at the close of each month the Supervisory Committee should examine the daily receipts of the credit union and ascertain whether bank deposits of equal amount have been made within twenty-four hours after the cash is received.

At the close of each month the Supervisory Committee should examine each check issued by the credit union. It should make sure that each check is supported either by a loan application, a withdrawal slip, or a voucher indicating the nature of the expenditure.

In the case of checks issued for loans it becomes necessary for the Supervisory Committee to know that the loan was properly made. Therefore the Supervisory Committee should examine each loan application and notes covering loans made during the month. First, since the signature of each member of the credit union is on file in the signature card file of the credit union, the signature on the loan application and note should be compared with the signature of the member on file in the signature card file. Most credit unions are small enough so that any member of the credit union is known by one or another of the members of the Supervisory Committee. Be sure, then, that forgery has not been committed and that the signatures on the loan applications and notes are actually the signatures of the borrowing members. Be sure that there is such a person as the one indicated as the borrower on the loan application and note that the address set forth on each of these instruments is the proper address. This sounds silly and yet I remember one postal credit union in which a shortage of funds developed, and when investigation was made it was found that loans had been made to fictitious persons, and that there were no such addresses as those set forth on the notes. One would think this to be impossible, particularly in a postal group, but it actually happened. Be sure also that no changes have been made in the loan application, particularly with regard to the amount of the loan. Compare the note and loan application with the individual ledger card to be sure the proper amount of the loan has been charged against the borrower.

In case of withdrawal of funds from the credit union be sure the signature on the withdrawal slip is the signature of the member, and again check this withdrawal slip with the individual



share card to be certain the proper amount has been charged against the individual account and that the account has not been overdrawn.

If the credit union is purchasing investments securities be sure these investments are legally proper. Incidentally, government bonds are still the best investment aside from loans to members.

Verification of passbooks. This, too, should be a continuous process, and of course this verification should be carried on by the Supervisory Committee. Verification forms may be obtained from the CUNA Supply Co-operative at Madison or your state league, if it handle forms. These verification forms should be sent to eight percent of the credit union's membership each month. If the credit union is of average size and has three hundred members this would mean that each month twenty-four verification forms would be sent out. With each form a stamped envelope addressed to some member of the Supervisory Committee should be enclosed. These verification forms should be sent to a staggered list of the members each month but should cover the entire membership during the course of the year. No one connected with the credit union operating office should know to which members the forms are being sent. This check will prevent any manipulation of the amounts entered in the passbooks.

Be sure that the control or general ledger is balanced each month against the individual ledger. There is only one way to be certain of this, and that is for the Supervisory Committee to run a tape each month on the individual share accounts and on the individual loan accounts and to balance these tapes against the control or general ledger. This function should be performed by the Supervisory Committee at least once each quarter, but it would be far better if the Supervisory Committee would balance the books in this manner monthly. It does no good to check a tape run by the Treasurer or some other person as there might be items included in the total of this tape which did not appear in the individual items. Run the tape yourself. Then you know it is right.

What about the bond of the Treasurer? This bond should be in possession of either the President or Secretary of the credit union or of some member of the Supervisory Committee. Be sure the bond is still in effect. It is my belief that the bond should be in an amount equal to at least fifteen percent of the assets of the credit union. It seems that whenever a shortage appears in a credit union the bond of the Treasurer is inadequate.

The credit union saves ten or fifteen dollars a year in bond premiums and then at the end of say ten years loses about ten thousand dollars. There is no percentage in that. CUNA has found a way whereby, if the credit union is a member of its state league and bonds its treasurer in an amount equal to at least ten percent of assets, it receives fifty thousand dollars of excess bond coverage free. Is your credit union taking advantage of this opportunity? If not it is your duty to see that it does. Be sure that all persons who handle funds of the credit union are bonded.

Examine, at least quarterly, the minutes of the meetings of the credit committee. This committee should keep a record of its meetings. These minutes should show the disposition made of each loan application presented to it. The minutes should indicate what members of the committee were present at each meeting held.

Examine monthly the minutes of

the meetings of the Board of Directors. The Board should meet once each month. It is absolutely essential for the Supervisory Committee to know of any action taken by the Board of Directors of the credit union with regard to its operation. If the Board of your credit union does not meet each month it is your business to do something about it.

On paper this all looks like a great deal of work. In actuality it is not much work for the Supervisory Committee in the average credit union. If our credit unions are to continue as self-operating, self-governing institutions then we must take the responsibility for operating them and governing them. If we do not perform these functions ourselves then we are sacrificing our freedom of action because of laziness and our credit unions will be controlled and governed by outside agencies. There must be supervision. Shall we perform that function or turn it over to others?

"Someplace In Africa"

provided. Use immediately and not to send. Write plainly. Very small writing is not suitable.

No.

Mr. Bergengren
Credit Union Nat. Ass.
Filene Memorial
Madison, Wisconsin

Pt. H. A. Bergengren
 (Sender's name)
James Earl Dean, Jr.
 (Sender's address)
A.P.O. 759 & PH 44
May 11, 1943
 (Date)

Dear Mr. Bergengren,

Not knowing who is editor of Cuna these days am addressing this to you. Before the war I was with Ed. Dept. Midland Corp. Consequently my interest in this as a possible source is:

While in a little barber shop awaiting my turn in "Someplace in Africa" I chanced across a mimeo publication "Westphalia News" of Westphalia Credit Union - 300 E. Allegheny Ave. Philadelphia. Editor John McClellan -- notices everyone looked at it whether they could read it or not. Obviously left there by some soldier -- may be after the war you can start some Credit Unions here. But under how you're going & read some news this lending thrift has a hollow sound these days.

V - MAIL

James Earl Dean, Jr.

IDEA EXCHANGE

Three productive folders have recently been distributed by the Gas Company Employees Credit Union, Inc. of Columbus, Ohio. All three drive home the fact that a credit union loan costs considerably less than a loan from a finance company.

When opened the folders reveal tables that clearly show the cost of a credit union loan and a loan from other credit agencies. Information is also given, in brief fashion, about the fact that the credit union loans up to \$100—on just the member's signature.

The folders are done in black and white. The one marked Exhibit C is 6½ inches long and 4¼ inches wide. The two marked Exhibits A and B are 5½ inches long and 4¼ inches wide.

Selby R. Carter, Chairman of the Educational Committee of the Gas Company Employees Credit Union, Inc. writes the following about these three eye-catching pieces.

"There were three thousand of each folder printed, making a total of nine thousand copies.

"Exhibits A and B were mailed to the homes of our three thousand employees. These mailings were one week apart. The folder marked Exhibit C was handed to the employees at their particular place of employment.

"The nine thousand pieces cost \$80.85 for composition, printing and folding. They were printed by the company's printing department.

"Inasmuch as two of these sets or six thousand pieces were mailed to each employee's home address, the cost of postage and of labor for addressing the envelopes should probably be added to the above cost of \$80.85. Postage amounted to \$90.00. We do not have a figure available on the cost of addressing the mailings.

"These folders were prepared by our Educational Committee with the assistance of the Ohio Fuel Gas Company's Advertising Department.

"This advertising was very well received by our members. It resulted in an approximate 50% increase in the amount of money loaned."

SEND YOURS IN

Credit union directors and committee members are invited to send samples of their work to the Idea Exchange Editor, The Bridge, Madison, Wisconsin. Send along a note, telling briefly how the material was distributed, the number, the cost, and results obtained.

THE BRIDGE—July, 1943

**IT'S
NOBODY'S BUSINESS
BUT YOURS!**

Exhibit A



**12 MINUTES
THAT SAVED
12 DOLLARS!**

Exhibit B

COULD YOU USE

**\$100.00 IN ?
CASH ?**

**Borrow It NOW From
Your Credit Union On
Your Own Signature ONLY**

**Look What
You Can Save
In Interest
On a \$100.00
Credit Union
Loan**

-\$12.00

On \$100.00 Borrowed For
12 Months as compared
with an Outside Finance
Company

Exhibit C

IT IS passing strange that astounding innovations and changes can occur in the money systems men use, and almost nobody notices that they are taking place. Only if you really stop to think about such changes do you understand that they are revolutionary. The number of people, however, who stop to think on any question is notoriously limited, and for some reason most limited on monetary questions. The great majority are as little curious about money—other than how to get hold of it—as they are about the air they breathe.

We take our air for granted, and we pretty much take our money for granted too. Yet it is not for nothing that we call money "currency" and speak of it as "circulating." Impressed by the circulating characteristics of money, some writers have called money the blood-stream of society and refer to it as sociological blood. If, then, changes occur in the composition of money or in the way it circulates, these might conceivably, being changes in society's blood-system, have just as great an effect upon mankind as would changes in the blood-stream itself.

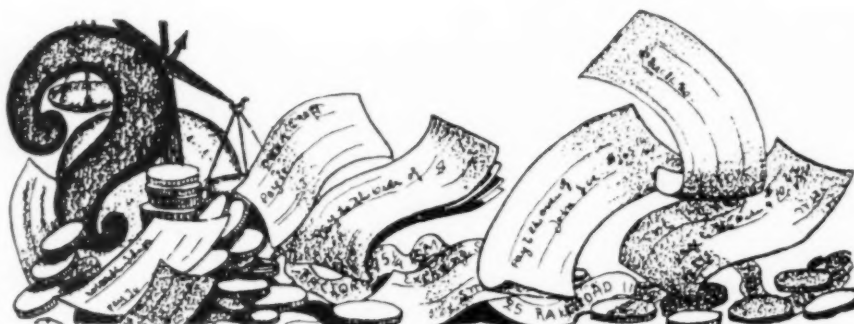
The purpose of this article is to point out several scarcely recognized revolutionary facts about money which have been coming to the surface ever since the first World War; they indicate a revolutionary change that is being speeded up by the present World War. To place ourselves at the best angle for seeing this phenomenon of the money system altering beneath our noses, I must first take you back to the sixteenth century.

There was a quiet revolution for you, and it was brought about by men engaged in what at this distance looks like a romantic occupation. It was engineered on the q.t. by goldsmiths. The custom grew up of depositing for safekeeping with these fashioners of gold the valuable trinkets owned by the rich. The goldsmith, taking custody of the deposit, would issue a receipt. It came about that these receipts were transferred by the rich. Instead of going to the warehouse and getting out his precious objects to transfer them, the rich man simply handed on the receipt. Thus, the receipt, in passing from hand to hand, came to function like money. So far, so good; in the goldsmith's custody were valuables, and in society were circulating the tickets representing them. Now comes the revolution.

The goldsmiths, noticing that the

UNOBSERVED REVOLUTION

By Gorham Munson



receipts changed hands, but that the gold in their custody was often not called for, began experimenting with the issuance of receipts for which they had no gold backing. The experiment worked. They found they could safely issue receipts to ten times the value of the gold they held, and not get found out. All the receipts passed as valid because only one time in ten, as a rule, did a possessor of a receipt make demand for the actual gold supposed to be covering it.

Rude critics of modern banking have called this practice of the goldsmiths a swindle and a racket, and I suppose it was. That is not the point I wish to make, which is: *it was a great technical revolution.* It was the forerunner of our modern custom of doing business by writing checks. It foreshadowed the technique of modern banking.

The first great modern bank was the Bank of England, founded in 1694 by a Scottish economist and financier (and some say erstwhile pirate) named William Paterson. In explaining his scheme for the bank, Paterson said bluntly, "The Bank hath benefit of interest on all moneys, which it creates out of nothing." He meant that the bank would operate on the principle discovered by the cunning goldsmiths. It would have a cash reserve but would issue credit in excess of its cash. And that has come to pass. Banks today maintain roughly a cash reserve of one-tenth of the money they lend, the other nine-tenths being the creation of credits which function as money. Economists call it the "fractional reserve system." They mean that most of the money we use today

is "check-book currency," and that most of our business is influenced by bank credits, which, like the goldsmiths' extra receipts, are a creation of new money.

For the statement just made numerous authorities could be quoted—Marrimer S. Eccles, R. G. Hawtrey of the British Treasury, and Reginald McKenna, British banker, among them; but I shall confine myself to just three. The first is our household authority, the Encyclopaedia Britannica, which says in its fourteenth edition (1929) that "Banks create credit. It is a mistake to suppose that Bank Credit is created to any important extent by the payment of money into the Banks. . . . Banks lend by creating credit; they create the means of payment out of nothing."

Major L. L. B. Angas, one of the best-advertised of investment counselors and famous for his predictions of stock market trends, says it with punch, "The modern banking system manufactures money out of nothing. The process is perhaps the most astounding piece of sleight-of-hand that was ever invented. Banks, in fact, are able to create and cancel modern deposit money. They can, in fact, inflate, mint, and unmint the modern ledger-entry currency."

As a clincher, I quote from a house-organ of British bankers, the magazine *Branch Banking*, which said (July, 1938): "There are enough substantial quotations in existence to prove to the uninitiated that Banks do create credit without restraint and that they . . . create the means of repayment within themselves."

To grasp the magnitude of the gold-

*Reprinted from
Freedom

IN THE REALM OF MONEY*

Illustrations by
Nils Hagner



smith's revolution we have only to try to picture the world as it would be if the credit system had not been invented. Our economy today would still be only a supermedieval one. Watt could have invented his steam engine, but its use and development would have been tethered to the slow production of "hard" money (precious metals); and our great mass-production system would have remained on the shelf of potentiality, so near to actuality and yet so far from it because men had discovered no way to finance their gift for invention to the point of full fruition. Thanks to the goldsmiths, men found a method for lengthening the tether of metallic money, and by paper money and by bank-ledger money were able to expand their productive powers.

Nevertheless, believe it or not, the goldsmith-Bank-of-England technique remained pretty much of a mystery to most people down to and through the first World War. Not until about 1920 did the people catch up to the sixteenth century in monetary understanding. In that year Dr. Harold G. Moulton, now head of the Brookings Institution, was writing a fat textbook on Financial Organization, and he noted that "there was much apparent mystery in the year 1917 as to how our government could raise some twenty billions of dollars when there was only \$4,702,130,941 of currency in the country." He explained that "actual gold or actual money is not used to any very great extent; credit instruments in the form of checks and drafts are the means most generally employed in making payments."

I was in college during the first

World War, and I remember being much impressed by an article which "proved" that the war would have to halt in a couple of years because the belligerents would be bankrupt; there wouldn't be any more money to continue the fight. Perhaps this article was by John Maynard Keynes—then not a "name"—who in later years has occasionally been twitted for having once predicted that the first World War could not last beyond 1916 for lack of financial sinews.

This brings me to revolutionary fact Number One in our thinking about money in the present World War. The fact is that what was a mystery in the first World War War is not a mystery in the second World War. No one in the upper brackets of intelligence prophesies the stoppage of the present war because the supply of money has been exhausted. No one in those brackets raises the bewildered cry, "Where is the money coming from to defeat the Axis?" Whenever any columnist—Walter Lippmann or Dorothy Thompson, for example—touches on war finance, it is explained in matter-of-fact fashion that our supply of credit is inexhaustible so long as we can produce physical things. This marks a very great change in the public mind, a change that prepared us for revolutionary fact Number Two, that surprise package for Adolf Hitler, the Lend-Lease Act of 1941.

The first inkling the public received of the Lend-Lease Act in gestation was a bomb-shell press conference that President Roosevelt held on December 17, 1940. Coming back tanned from a cruise, Mr. Roosevelt expressed himself about the sacred cows of

finance with an offhandedness no other world-figure, no, not even Hitler, has displayed according to the reporters present, he said we must cut out the financial nonsense, and he called the dollar sign silly. He joked about the best economic opinion in the world in 1914, which said that continuance of the first World War depended on money in the banks, and he jovially recalled that he had won one hundred dollars in wagers from bankers who had bet that the first World War would have to end six months after it started because of lack of funds. The old way of financing a belligerent, the reporters indirectly quoted the President, comes from a banal type of mind that can think only of this one method. Then Mr. Roosevelt compressed the idea of the coming legislation into a homely illustration: if your neighbor's house catches fire, and you lend him your garden hose to fight it, he either returns your hose when the fire is out, or replaces it with a new hose if yours gets damaged.

No one could imagine the statesmen of the first World War talking in this vein. They were lost in financial abstractions. One of them was, in fact, presented with a variant of the lend-lease idea after that war had ended, and his negative reply revealed in its wording that he had not comprehended the proposal. That statesman was Lloyd George, and the idea to which he administered a complete brush-off was formulated by Major C. H. Douglas, obscure then but now widely known as the father of the Social Credit school of economics. In 1922, Major Douglas pointed out to Lloyd George that the war debt contracted to the United States by Great Britain was a debt for *goods* and that this debt should be repaid with *goods*. To this proposition he added certain novel suggestions for the financing by Great Britain of the repayment-by-goods plan which need not be explained here, although they sharply demarcate the operation of his proposal from that of the lend-lease proposal. The significant thing is that whereas in 1922 the mind was unresponsive to the idea of repayment in goods for goods delivered during wartime—"They hired the money, didn't they?" said Calvin Coolidge of Europe's debts to us—only nineteen years later Congress was passing a law for doing just that.

The Lend-Lease Act was revolutionary in that it did cut through a heavy growth of financial folklore to the proper coverage of all money, which is production of needed and wanted goods. It was healthy for the public mind to come up against the reality of goods, and to see this reality

put into the first place and accountability forced to adjust itself to the primacy of goods.

Our revolutionary fact Number Two dovetails nicely with fact Number One. Our first fact was that the technique of credit-instruments is the discovered secret of war finance. Our second fact, hit upon as an expedient for giving aid to Britain, is that debts recorded by credit-instruments should be related to goods and canceled by return delivery of goods from the debtor country. The accent was put upon physical goods, upon men and supplies, and if you don't think that is a revolutionary accent, you have not waded through much literature on the gold standards, foreign trade, international debts, and related tedious subjects.

Revolutionary fact Number Three I shall submit directly to the reader for confirmation. Isn't it true that ever since Pearl Harbor your attitude toward the national debt has been different? The New Deal had accustomed us to the idea of deficit spending, but our acceptance of it was only provisional. We still believed in the necessity to balance the budget at some not far-off date, and we considered that a statutory limit to the public debt should be set and observed. There was for us something sacred about these two conventions: the debt limit and the balanced budget. We were not hardy enough to break through the taboos against daring speculative thought about them. Then almost overnight we became profane in our attitude toward the national debt. Strange to say, we took it not lightly but flexibly. In the very quarters where quite recently the worst jitters had occurred at the thought of a forty- or fifty- or sixty-billion-dollar public debt, calmness suddenly descended.

When, of all people, the president of the New York Stock Exchange, Mr. Emil Schram, blandly told the press that our country could safely carry a national debt of two hundred billion dollars, the announcement caused hardly a ripple of surprise. Not only are we all undismayed in viewing the prospect of even a three-hundred-billion-dollar debt piled up before we lick Hitler—we who used to shudder not very long ago at the horrible thought of a forty-five-billion-dollar debt—but we are reassured in our profane attitude toward a holy topic by a learned theory about the national debt which has been given considerable publicity since the Japanese dropped their bombs on Pearl Harbor.

The theory comes from a most respectable Harvard professor, Alvin H.

Hansen, now a consultant to the National Resources Planning Board and an intellectual power in New Deal circles. His admirers call him "the American Keynes." And what does Dr. Hansen say? He says that we can use the public debt as an instrument of public policy. He says "There is little likelihood of our ever again seeing the Federal Government's budget balanced for any considerable period." And he adds a resounding heresy, "The internal debt of a government need never be paid." He speaks of the tremendous voltages which electrical engineers can safely handle, and affirms that financial engineers can do equally well with monetary voltages. "Like the capacity of a well-designed system of electrical transmission, our debt-bearing capacity, as regards size at any rate, is well beyond any strain likely to be put upon it." It's all in managerial "know-how," he contends, and mentions a two-hundred-billion-dollar debt as one we can intelligently manage.

Some sort of mental revolution about money is under way when the Littauer Professor of Political Economy at Harvard can deliver himself of such thoughts, and the newspapers do not yell, "Crackpot."

I find another proof of this mental revolution in the new twist that the growing conviction of plenty-for-all has taken. During the nineteen thirties we all accepted the paradox of poverty-amidst-plenty. How could we deny that oranges were being destroyed by kerosene while in the same country the Okies starved to death? But we almost fell into a "so-what?" defeatist attitude toward this paradox. Instead of awakening our imaginations, it came to have on our minds all the unstimulating effect of a platitude. Now the paradox during the war has assumed a new form. We see that there is abundance for manufacturing

instruments of war, and we realize more vividly than ever before that this abundance of earth's riches converted into staggering armaments can be translated into abundance of civilian goods when peace comes. In short, we see that our tremendous powers of production and our amazing inventiveness are engendering a new economy, and the impact of this realization upon our traditional uncriticized thinking about money is going to be incalculable.

There was, for instance, the sensational speech made by Dr. Charles M. A. Stine, vice-president of the E. I. du Pont de Nemours industry, at the September, 1942, meeting of the American Chemical Society. The second World War, he said, "is compressing developments," and he put the case very strongly when he stated that "under pressure of the necessities of war, the inconceivables of only two years ago are today's realities. American chemists are discovering new continents of matter, and the world of 1940 has already become an antiquity."

Growing specific, Dr. Stine continued, "When the war is won, we will have at our command ten to a hundred times what we had before in new materials. New and more versatile plastics . . . high pressure syntheses of ammonia . . . fertilizer of such capacity that the trends of agriculture may be changed . . . glass that is unbreakable and will float . . . wood that won't burn . . . hosiery from air . . . window screens without wire."

What is the effect of such telescoped industrial progress, not upon people who are tomorrow-minded, but upon people who are yesterday-minded? If it moves the conservatives to new attitudes, then indeed a silent revolution is proceeding in everybody's outlook upon society. It is generally accepted that bankers are the ideal specimens of conservatism, and as luck would have it, a notable financier has lately testified about the very matter we are examining. He is Oliver Lyttleton, chief of British war production, who was a major figure in the financial world of London. What do you suppose Lyttleton opines? It's a tune the gentlemen with the pipelines waistcoats never sang before. "Perhaps this war will turn out to have been far more constructive, even materially, than it has been destructive. The trouble is that most of us do not understand the colossal capacity this modern world has for recreating its wealth, for reconstruction, and for production. You and I are almost old enough to remember world or local crises of scarcity such as the potato

(Continued on page 162)

Next Big Loan Drive

According to the June 26 issue of *Business Week*, the United Treasury will begin its next big loan drive on September 9th.

Although the two previous loan drives rang up impressive totals, most of the subscriptions came from big investors and institutions.

It is expected the emphasis in the coming drive will be on selling bonds to individuals, preferably to wage and salary earners in the lower brackets.

The treasury is making an all-out effort to mop up income at the bottom of the income bracket where inflationary pressure is greatest.

If this plan does not succeed it is believed that Morgenthau will have to reverse his stand and come out for forced savings.

Life Insurance

Based on Credit Union Principles

By Roy F. Bergengren

THE CUNA Mutual Insurance Society has entered the field of individual low cost life insurance.

It is quite natural that you should be interested in—Why—and How.

It is the purpose of this article to discuss the "why" and the "how" of the CUNA Mutual life insurance program.

Both questions are answered by an analysis of Article I, Sections 1 and 2 of the By-laws of the Society.

Article I, Section 1 sets forth the purposes of the Society in the following language: This Society organized in accordance with the provisions of a mutual law (*and therefore not for profit*) operates for the sole purpose of serving credit union members with life insurance on principles consistent with credit union operating practices.

Section 2 amplifies this purpose in the following words: It is the purpose of the Society to issue policies on the lives of credit union members and their immediate families covering all types of insurance and to provide such insurance at the lowest possible cost consistent with sound operating principles.

I have italicized the parts of the two sections which, it seems to me, are of paramount importance. Operating not for profit; it is the function of the Society to write life insurance on principles which are consistent with credit union practices, and to extend this service to credit union members and their families, at the lowest possible cost.

The CUNA Mutual Insurance Society is a life insurance company, operating under the strict laws of the State of Wisconsin and subject to the very careful and thoroughgoing supervision of the Wisconsin Insurance Department. In this connection it should be noted that Wisconsin has an enviable reputation as regards the sustained good record of insurance companies, organized and operating under its laws.

With all this in mind let us get a sort of thumb-nail sketch in mind of the experiences of the Society to date. It was organized in May, 1935, started doing business the following August, and paid its first claim of forty dollars, in October. It was necessary at the beginning to raise \$25,000 as the ini-

tial capital of the company, which amount was advanced by Edward A. Filene, and repaid in full, the final installment of the loan being paid in August, 1937. To pay for operating costs and claims in the beginning, additional sums were borrowed to a total of approximately \$10,000. The last annual report of the company (December 31, 1942) showed assets of \$743,496 and unassigned surplus of \$433,045. Up to that time it had paid dividends to its members of approximately a quarter of a million dollars and to the date of this article has paid over 15,000 claims, totalling approximately two and a quarter million dollars. Its Board of Directors consists of Shanney of Massachusetts, President, Feller of Minnesota, Treasurer, DeRamus of Illinois, Secretary, Pratt of Pennsylvania, Vice President and the following additional Board members, Moore of California, Reid of New York, Davis of Georgia, Lash of Iowa, Conrod of Texas and Andrews of Florida. These men are officers of credit unions, some large, some small, and are all veterans in the credit union movement.

The CUNA Mutual Insurance Society approached insurance in the beginning in exactly the same way in which the early credit unions sought for, found and solved the problem which seemed to be closest at hand. We tackled, in the credit unions, the problem of usury in cities because of then unrestrained operations of loan sharks in the urban small loans field. In order to acclimate ourselves to insurance, the CUNA Mutual Insurance Society took on an equally obvious problem in its field—the business of supplying credit unions with an adequate system of loan protection insurance. This was supplemented subsequently with life savings insurance. The one designed to help the borrower by insuring his life in the amount of any loan balance which might remain unpaid at his death; the other to perform a similar service for the saver by doubling his savings at time of death through in-

surance on his life in the amount of his then savings. These two fields have been the proving or testing ground of the CUNA Mutual. The extent of this experience is well indicated by the fact that, prior to Regulation W, the coverage of the company was built up in record breaking time to the amazing total of \$106,000,000. As the company insures the loan balances of approximately half the credit unions in the United States this coverage would normally reflect the falling off of credit union loan balances due to the war. Therefore, despite a steadily increasing membership, the present coverage of the company is (April 30) \$77,158,506. With the end of the war and the normal resumption of credit union loan business this coverage will automatically increase very rapidly again.

With this experience and splendid financial condition, the company now enters its normal field, the writing of individual life insurance policies for credit union members and their immediate families. This field consists, potentially, of a present four million credit union members in the United States and Canada, with an additional eight million men, women and children when the families are taken into account.

Why have we waited until now before entering the field for which our company was originally created? One reason has already been noted. It was first necessary to get oriented to insurance, to "get the feel" of life insurance, so to speak, and also to solve the first problem. It may be fairly stated that the CUNA Mutual Insurance Society now dominates the field of loan protection insurance. We have improved practices, controlled rates and established right principles for the conduct of this business.

Further it was early appreciated in the life of the CUNA Mutual Insurance Society that: while in a mutual insurance company each member has one vote, mutuality is pretty much defeated by geography in a company which boasts of a membership which stretches from Hawaii to Maine and from Florida to British Columbia. The vote of the individual is ineffective. It was felt further that the issuance of individual life policies in great numbers might create such a situation that the individual policyholders would greatly outnumber the member credit union policyholders. It was feared that enough individual policyholders might, at various times, withdraw from credit unions, at the same time retaining their voting rights in a life insurance company which had been organized exclusively to serve



the credit union movement. We were presented with the problem of the possible eventual transfer of control of the company to individuals no longer affiliated with the credit union movement. This matter was discussed in two meetings of the National Board of CUNA and finally amendments were drawn to the insurance laws of Wisconsin which would make possible, by proper amendment of the articles and by-laws of the company, the continuance of control within the organized credit union movement.

The current session of the Wisconsin legislature enacted these amendments and the members of the CUNA Mutual, at their most recent election, amended the articles. Appropriate by-law amendments have been prepared by the Board of Directors.

We now have a green light. We are ready to go into a vast new field of potential service.

What kind of life insurance will CUNA Mutual Insurance Society offer?

That will, of course, be determined from time to time by its Board of Directors. We do, however have a rather specific general guide in our By-laws, as already quoted. As has been noted the CUNA Mutual was organized, "not for profit." It must operate "consistent with credit union operating practices" and it must provide life insurance "at lowest possible cost." Obviously there must be neither fees nor commissions for writing CUNA Mutual life policies.

In other words—the CUNA Mutual is not "just another life insurance company." To justify itself, it must render a unique and extraordinary service.

There are a few simple and very understandable governing principles which will help in the determination of how these objectives are to be made. To begin with, most life insurance subdivides into what is known as "industrial insurance" and "straight life insurance." Most industrial insurance is written in small individual policies, the premiums for which coverage is collected by an agent who calls at the home of the insured weekly. Obviously this would be the most expensive life insurance possible. Here we bump head-on into an old, established tradition of the life insurance business which may best be illustrated by the evolutionary development of the grocery business. When I was a boy we traded at the corner grocery and ran a bill for a month. The grocer had a delivery wagon and, no matter how inconsequential our order, he delivered it. We did not appreciate that the cost of the unnecessary credit and the equally unnecessary delivery was re-



flected in what we were paying for groceries. To-day most of the large markets sell for cash which is reflected in lower prices. Further, in many of them, the customer serves himself and carries his purchases away with him; a process which should again materially reduce the cost of the goods to the consumer. The theory that life insurance cannot be sold over the counter has been exploded by the experience of Massachusetts Savings Banks Life insurance, about which more will be written later on in this article. But it would seem obvious that the credit union machinery is well adapted to teaching credit union members the great need for and the essential value of life insurance.

We are the one organization in all the world best adapted to the establishment of a new and better way of providing life insurance. By eliminating the loading incidental to heavy sales cost, we can do a real job. And there is no excuse for the weekly collection plan so far as credit union members are concerned, for the simple reason that the credit union member comes regularly to his credit union. He can easily acquire the habit of saving weekly such amounts as will total his semi-annual or annual premium payment when due and thereby avail himself of the lowest premium rate. Many BRIDGE readers are familiar with the CUNA Small Change Calendar Bank, which calls for the insertion of a nickel, a dime or a quarter a day in order to change the date. Thousands of these banks are in use. If a credit union member is, for example, thirty-five years old at the time he takes out his insurance and he puts a dime a day into his small change bank the accumulated total \$36.50 would pay annually for \$1700 of straight life insurance. If he used a quarter of a dollar a day to change the date, the resulting \$91.25 would buy \$4300 of straight life insurance and on both policies he would be entitled to substantial dividends on his premiums in any year when dividends are earned.

That is the habit we must get—to use the credit union machinery for the accumulation of premiums which, incidentally, opens up a new and very substantial service which the credit

union can render to its members.

And, again recalling our by-laws, the CUNA Mutual Life program must be based on a single motivation—to perform the maximum services for the insured. Term insurance, for example, which provides at low cost, temporary protection for the term of years for which it is written (and is, therefore, of particular value to the father of children to protect them until they become of age and are no longer the parent's responsibility) is not promoted very vigorously by average insurance companies. It is low cost insurance and therefore not particularly profitable. In the credit union life insurance program, however, it will have a very definite place because we are not even remotely interested in profits.

It will be recommended that each credit union appoint an Insurance Information Committee of three. This Committee will function like the Credit Committee. The member will be encouraged to bring his whole life insurance program to the Committee for analysis. Many times it will find the program adequate and will advise that nothing be done.

However the writer has in mind the experience of Massachusetts credit unions with Savings Banks Life Insurance. Many years ago there was an investigation of life insurance practices which, older men will recall, brought to the fore Charles Evans Hughes as prosecutor. The investigation turned up many improper practices and greatly interested Louis Brandeis, then an outstanding lawyer in Boston. Mr. Brandeis, who subsequently was appointed to the Supreme Court of the United States, felt that something definite should be done to correct the bad practices which had been disclosed and there resulted the enactment of the Massachusetts Savings Banks Insurance law. The limitations of this article do not permit an analysis of this law but it provides for life insurance, generally in relatively small policies, written on a cost basis through Massachusetts Savings Banks.

Some years ago a worker in a long established Massachusetts industry, who had several policies of industrial insurance on which he had paid in premiums a total in excess of a thousand dollars, tried to borrow fifty dollars on his several policies and found they had no loan value. He then tried to cash them in and found they had no cash surrender value. He took his problem to the personnel director of the plant in question and there resulted a plan to sell Savings Banks Life Insurance to the several hundred employees of the plant, using
(Continued on page 161)

Cash and Carry Taxes

(Continued from page 147)

and what is left is divided by 52 to determine the total from which the 20% shall be withheld, assuming he is paid weekly.

It will be noted on the Employees Exemption Certificate, hereinafter referred to, that a person with no wife (a widower, for example, or a divorced person) who is the head of a family and has dependents may make deduction exemptions for his dependents to the number equal to one less than the number of dependents.

It should be noted also that some wages are not subject to the withholding taxes as follows:

Wages paid to

- (1) Members of the armed forces
- (2) Domestic service
- (3) Agricultural labor
- (4) Casual labor (a part-time employee is not a casual laborer)
- (5) Services for a foreign government
- (6) Services by a nonresident alien who enters and leaves the USA at frequent intervals
- (7) Services by a nonresident alien resident of an adjacent country
- (8) Services performed outside the United States
- (9) Services of a minister of the gospel

All of these exempted wages and salaries should be checked from an examination of the law if any question arises concerning them. And these folks are not exempt from the regular income tax.

What are Wages

Wages mean all remuneration (other than fees paid to a public official) for services performed by an employee for an employer whether the remuneration be called wages, salaries, commissions, bonuses, etc.

How to Determine Amount to be Withheld

There are two ways. The first method involves exact arithmetical computations. The second determines the tax by referring to withholding tables. It should be noted that if both husband and wife are employed each may claim half of the allowed exemption, or one may claim all and the other claim none. The following table shows the usual exemptions which may be claimed.



Payroll period	Exemption single person	Exemption married person claiming whole	Additional exemption each dependent over the first dependent
If paid weekly	\$ 12	\$ 24	\$ 6
biweekly	24	48	12
semimonthly	26	52	13
monthly	52	104	26
quarterly	156	312	78
semiannually	312	624	156
annually	624	1,248	312
daily (per day of the period)	1.70	3.40	.85

* If husband and wife are both working they may divide the exemption equally. Each one of them however, may not take the entire exemption.

It may work out that there is almost a complete exemption. Suppose a credit union treasurer is paid \$30 a week and has a wife and five dependent children. His weekly exemption as a married man is \$24 and his further exemption for five children at \$6 each, is \$30. The total exemption being obviously more than the weekly wage. However here the Victory tax pops back into the picture as the 20% withholding tax is 17% income tax and 3% Victory tax and the Victory tax part applies anyway even to the husband with 5 children, working for \$30 a week. So no person working for wages or salary (except as indicated) escapes the withholding tax altogether, unless paid from all sources annually \$624 or less (\$12.00) a week which is the general Victory tax exemption.

If the employer credit union chooses to determine the tax to be withheld by the use of a wage bracket withholding table, copy of such table may be had on request to the BRIDGE, Madison, Wisconsin.

If, for example, a credit union pays its treasurer \$200 monthly at the end of the month, for the payment due July 1 (for services in June), the final 5% Victory tax would apply but not the 20% withholding tax which applies for the first time at the end of the first pay period in the month of July.

And if the wage workers exemption eliminates the 20% tax, leaving him as previously indicated subject to the 3% Victory tax only (not the former 5% Victory tax but the 3% which is a part of the 20% tax) it will be recalled that he is entitled to the former \$624 exemption from the Victory tax, quite ignoring his married status. The married credit union treasurer with five children paid \$30 a week, and therefore, subject only to the 3% Victory tax, would pay it on his annual compensation of \$1560 less \$624 or on \$936, 3% of that would be \$28.08 or, on the basis of weekly compensation, 54 cents a week which would be de-

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FOURTH largest mutual insurer of automobiles in the U. S.

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- Established in 1926
- Cooperative—non-profit—user-owned service

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Liability and Property Damage insurance covers Share-the-Ride Passengers.

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Consult Your Local Telephone Directory

"Got a match, pal?"

**"Sure—and it's a
Credit Union match!"**

You hear that now all over as great numbers of credit unions are buying for distribution, the credit union **BOOK-MATCHES**. Imprinted with the name and address of your credit union; they are effective advertising; every book tells the credit union story twenty times. Minimum order 2,500 books:

2,500 books
\$3.90 per thousand

5,000 books
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7,500 books
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50,000 books
\$2.90 per thousand

100,000 books
\$2.75 per thousand

Plus state sales tax if any, and 40 cents per 1,000 for Federal Excise Tax. Shipped freight prepaid to any point, if each order for 7,500 books or less, is all shipped at one time to one destination.

CUNA
Supply Cooperative
Madison 1, Wisconsin

ducted and accounted for in the same way as the 20% withholding tax.

Importance of Executing and Filing Form W-4

Form W-4 is called the Employees Withholding Exemption Certificate. The most important thing to note about it is that the employee must make it out and file it with his employer before the first July wage or salary is due; otherwise the employer will assume that the employee is not entitled to any exemption and will deduct the whole 20% on this first wage affected by the tax. The credit union employer should, therefore, see to it that the credit union employees execute copies of this certificate at the earliest possible time. It is repeated because of its importance that this tax affects all employees of the credit union, whether full time managers or part time collectors and that they must all file the certificates and that the taxes must be withheld from all salaries or wages however insignificant. It is recommended also that the credit union keep a supply of these forms on hand for the use of members. As salaries or wages change amended certificates will be filed by employees.

The certificate calls for the full name and address of the employee and his Social Security number. The various questions to be noted fix the marital classification of the employee and there is a space for the employee to so indicate if he is claiming an exemption and also a space for showing whether husband and wife, if both working, are dividing their exemption.

The question may arise as to the status of a man and wife where either or both of them are in the armed forces. They are living together, even though the husband may be in Africa and the wife in Boston. The employee must sign and date the certificate. He should read the reverse side for his general information. Under no circumstances is the wife figured as a dependent. A husband with a wife and three children figures *three* dependents.

Reports and Remittances

This part of this article is primarily for the credit union employer. If the credit union withholds \$100 or more in any given month, the credit union must deposit the same with the authorized depository in its locality (which can be located by calling your bank). The depository will give the credit union a receipt which must be carefully filed because of its later significance. If the credit union employer deducts less than \$100 in any given month then the deductions ac-

cumulate and each quarter (that is, for the quarters ending September 30, December 31, March 31 and June 30) he sends the total withheld for the quarter to the local collector of Internal Revenue, making a report on a form which can be had from said collector called Form W-1. If the credit union employer withholds \$100 or more each month (and makes the monthly deposits as above indicated) then he makes a quarterly report to the Collector of Internal Revenue on Form W-1. These reports must be made sometime during the month following the end of the quarter.

Annual Report

The next form is Form W-3 which is used by the credit union employer annually and is really a reconciliation of the quarterly returns. This will also be discussed in an article to follow later.

What About Form W-2?

Form W-2 is executed by the credit union employer and given annually to the employees showing the amounts of salary or wages deducted and transmitted to the Collector of Internal Revenue (or through the Depository Bank) and this form must be executed by the employer and delivered to the employee not later than January 31 of each year. The reports for the first year will cover the part of the year from July 1 to January 1. It should also be noted that when the employer sends Form W-3 to the Collector of Internal Revenue for the annual reconciliation of the quarterly reports, there must be attached to it copies of Form W-2, the report to employees.

In General

The employer who deducts more than \$100 a month must make his deposit with the depository within ten days of the following month.

The employer who has been making deductions in excess of \$100 a month shall, when he makes his first quarterly report as indicated above, attach thereto the receipts which he has received monthly from the depository and, if he sees fit, he may attach also the remittance direct for the third month of the quarter. This is not recommended as it breaks up his system. It would seem to be easier to make the deposits monthly with the depository and attach the receipts for these deposits to his quarterly report.

It is recommended that when Form W-2 is made out it be made out in triplicate, one copy for the office record, one for the employee and one for the Collector of Internal Revenue to be attached to the annual report. It is further recommended that duplicate

copies of all reports filed with the Collector be kept in the credit union files.

One Other Important Feature

It should be noted that with each final report to the Collector of Internal Revenue on Form W-2, copies of all statements issued to employees must be attached. Records should be kept indicating payrolls, etc., as the Collector may call to examine these records from time to time.

Sources of Information

Your nearest Collector of Internal Revenue is the primary source for information when you have any questions. The BRIDGE will keep in touch with the progress of this legislation, which will doubtless be amended from time to time, and try to answer any questions which you may send in. The Credit Union National Association Inc., will follow the law, and, as we did with Regulation W, issue bulletins from time to time.

Life Insurance Based on Credit Union Principles

(Continued from page 158)

the credit union as the source for procuring the insurance. A committee of three was appointed by the credit union and the life insurance programs of several hundred employees were examined. It was found that most of them were paying weekly on several industrial policies, covering members of the family and with very little coverage on the life of the bread-winner. A case is recalled which involved one employee who was paying on eight policies (with \$300 on his own life) enough so that the total he was paying would, if the insurance had been consolidated in straight life insurance on him, the bread-winner, have given him four or five thousand dollars of straight life insurance protection.

Here again is a credit union opportunity—to use credit union machinery to prevent the maladjustment of life insurance programs.

It is now within the power of the CUNA Mutual Insurance Society to write life insurance on the lives of credit union members and their families, on a cost basis, without loading for acquisition and with the intelligent use of the familiar credit union machinery to guaranty to the credit union member the maximum insurance protection at minimum cost.

In this field the credit union will perform a service quite equal in its importance to the great service we have so long rendered in the field of thrift and small credits.

THE BRIDGE—July, 1943

Develops Productive Newspaper Advertising

(Continued from page 150)

we cannot afford to pay."

"Yes. We wish to participate in any movement to further credit union work in this vicinity, whether we realize any material benefit or not."

"Yes."

"We are participating in this newspaper advertising in conjunction with other credit unions in this district, and as the cost is so little we have agreed to continue for a year."

"Yes."

"The present contract is for one year, beginning December 7, 1942. Therefore a continuation of the program has not been discussed. I feel sure, however, that the potential benefits are great enough to make the cost negligible, and we cannot afford to discontinue the program at the expiration of the present contract."

"Yes, at least for a while. This is all new to us, and we expect to give it a fair trial."

"Yes."

Replies to the third query—Would you advise other credit unions and chapters to adopt your plan?—were:

"Yes."

"Definitely yes—under chapter sponsorship where the cost is prorated on the basis of assets, even the smallest credit union can afford to participate."

(a) "Yes—especially in a competitive community."

(b) "Employee members still need education in credit union advantages."

"Yes, without fail."

"Yes. In group advertising the smaller credit union may ride along with the larger and thereby gain in a larger proportion in ratio to expense. A small credit union cannot afford to use a daily paper."

"No."

"Yes."

"Whether other chapters should adopt the plan would entail a study of the area to be covered, the medium, the cost and what percentage of the people reached by the advertising are members or potential members of credit unions. Ours is an industrial area, and a very high percentage of the people reached work at plants in which credit unions are located and are, therefore potential members. This would not be the case in a metropolitan area where a great many of the people do not work for institutions having credit unions."

"Yes."

"Yes."

THE CUNA Supply Cooperative and its predecessor, the supply department of the Credit Union National Extension Bureau, has been supplying complete accounting forms to the credit unions of the United States for a quarter of a century. This service started when there were 199 credit unions. It continues now when there are 10,000. It has helped almost every credit union in the United States into existence through its expanding services. It has served in good times and during the most difficult industrial depression in history. Its service was uninterrupted and unimpaired. Now we are proud to still serve you despite all the abnormal difficulties of a year and a half of total war.

*Yours Always for
Service*

CUNA SUPPLY COOPERATIVE

Madison 1, Wisconsin

Unobserved Revolution in the Realm of Money

(Continued from page 156)

famine in Ireland. But now all there is to worry about is whether we can find a market for the goods that can be produced by this modern world's immense productive machinery. That's all we ask for: a certain consumer demand for long enough time for us to set up our plant and get into permanent production. The capacity of industry to produce nowadays is simply beyond the imagination of the layman . . . We cannot even measure the ability we have now to produce."

I pause to let us go back only ten years and recall what the bankers were saying about the Great Depression. They did not talk then about any fabulous capacity to produce goods or about building up consumer demand. They said then we had been foolish and must return to "sound finance," which, being interpreted, meant to tighten our belts. It therefore signifies a great change in thinking that in 1942 Oliver Lyttleton should conclude his remarks with the suggestion that "sound finance" must accommodate itself to increased productivity. "If labor," this conservative-revolutionary says, "is redistributed skillfully and our means of exchange are adjusted to our power to produce, then the post-war world ought to see a very great economic renaissance." (My emphasis.)

Revolutionary fact Number Five: our ways of speech about the economic problem are changing. When men like Vice-President Wallace, Donald Nelson, William L. Batt, and Milo Perkins talk about America's economic problem, they use a different vocabulary and emphasize different key-words from the jargon we have heard for many a year from the economists. From these brains in government the old word-webs have been cleaned, and they express themselves in a refreshingly direct and simple manner. Notice in the quotations below from Milo Perkins the words that do the work—words like "under-consumption" and "distribute"—and you will see that they signify a new approach to economics and point directly toward the topic of money, whereas the abstruse economic verbiage of yesterday somehow always pointed away from money, which was slighted as a subject. You will notice also how the idea of distribution, our fact Number Five, connects logically with the idea of abundance-for-all, our fact Number Four.

"For centuries," says Milo Perkins, executive director of the Board of Economic Warfare, "the world lived in an age of scarcity; now, for the first time in history, there is enough to go around . . . It's a matter of knowing that this is a new and utterly different kind of world, and that some of the old mechanisms won't work any more; that the years ahead will no more permit us to hoard goods in the face of want than to hoard money in the face of poverty; that a civilization which is commodity-rich but consumption-poor cannot survive. In every civilization until ours, you could take the most that could be produced and divide it among all the people to share it, and you'd always come out with the same answer, a terribly low standard of living. Today, because of the machine and the test tube, if we produced all we could and divided it among all those alive to share it, we would come out with a good standard of living for the whole human race. That is the most important material thing that's happened to mankind since the discovery of fire and the invention of the wheel."

The result of this perception is to make Mr. Perkins, inventor of the Food Stamp Plan, think about distribution; and distribution, of course, cannot be separated from the distributive agency—money.

"The unsatisfied wants," Mr. Perkins continues, "of two-thirds of our people make up the greatest new market that has ever loomed before our businessmen and our farmers . . . All we need is some courageous internal pioneering and some imagination. What we need most is a redirection of our genius as a people. Heretofore we have concentrated on methods of efficient production. Henceforth, we must concentrate on efficient and businesslike methods of increasing domestic consumption, no matter how much violence it may do to some of our preconceived notions. We know how to produce almost anything, but we haven't learned how to distribute such things to the jobless who ask only the chance to work for them. This nightmare of under-consumption

is the black plaque of the twentieth century; we've got to make up our minds to wipe it out with a vengeance . . . If we slash out at under-consumption within our own country as we would at a foreign enemy, individual initiative and free enterprises will come into their own as they never have before, and that is the only way we can be sure of their continuance."

The next two facts disrupting old habits of monetary thought can be briefly noted. Number Six gives the devil his due. It is the fact hammered home by Hitler's panzer divisions, the fact that "bankrupt" Germany was able to re-arm on an unprecedented scale. By all orthodox standards of economics, this was something Germany could not do. Yet re-arm she did, to the world's consternation. Never mind how. Mr. Douglas Miller and other writers have told the story, and it's not a pretty one from the dishonest barter deals to the Gestapo-enforced sales of government securities to big business. In brief, Hitler put soldiers and supplies first, and told his bankers to cook their books any way they chose so long as he got the soldiers, tanks, planes, and guns he wanted. He called it "the primacy of politics." We can call it a decidedly hard jolt to naive trust in the fixity and sanctity of our traditional financial conventions. Rubbing our heads from the shock, we perceive that "bankruptcy" is no barrier to military might and physical achievement.

Fact Number Seven is wartime rationing—the distribution of civilian goods in short supply by a ticket-system. This likewise gives a shake-up to our long-unquestioned notions about money. Into the social bloodstream are introduced, alongside of bankers' money, a quantity of coupons which are indispensable for access to shortages of civilian goods. The ration-coupon becomes more valuable than bankers' money if you wish to purchase a rationed good. More obviously than our cash and checks, it is a ticket-for-goods, and it is bound to start the query in the mine of the average man: should not our money system, our distributive system, become more purely a ticket-system? Have we not been wrong in viewing money as a commodity like tea, when in essence money is much more like a railroad ticket? These are not new questions. Back in 1750, the philosopher Bishop Berkeley asked "whether the true idea of money, as such, be not altogether that of a ticket or counter?"

Here are seven revolutionary facts in the field of monetary thought which are jolting our sleeping preconceptions

Coming Events

August 14, 15

Quarterly meeting, Board of Directors, Cuna Mutual Insurance Society, Sherman Hotel, Chicago, Illinois

September 25, 26

Quarterly meeting, Executive Committee, Credit Union National Association, Inc., Chicago, Illinois

about money, and awakening our minds to the realization that we can no longer take our financial economy for granted. The list could be extended. But our seven facts will do, and they add up to an interesting pattern.

The pattern begins with a discovery. We have learned about what Mr. Harry Scherman has aptly called "invisible greenbacks." The lend-lease principle and rationing tend to make us realize that "invisible greenbacks" should be related to available visible goods. But available goods can, we know, appear in stupendous quantities, first as war goods, later as peace goods. Logically we proceed to the idea of distribution: "efficient and businesslike methods of increasing domestic consumption," to repeat Mr. Perkins' words. This enlarged picture of national wealth in turn makes us far more flexible in our attitude toward the national debt.

Only in one sector of the monetary front is there no original thought intruding upon the average newspaper reader's attention. That sector is the one occupied by taxation. In the theory of taxation I cannot detect the slightest adaptation to the changing world. The Ruml plan, for instance, presents nothing new in the philosophy of taxes. Perhaps this standstill in the theory of taxation is why most of us, while experiencing new adjustments in the economic machine, have not grasped how radical the adjustments were likely to become. The painfulness of higher taxes keeps the world feeling familiar—a place where, as a colored citizen once remarked, "They say that money talks, but the only thing it ever says to me is good-by."

Nevertheless, there has been an unobserved revolution going on about money. It came above-ground on September 26, 1942, when the Primate of All England, the Most Reverend William Temple, Archbishop of Canterbury, said in words that reverberated around the world, "In the case of money, we are dealing with something which is handled in our generation by methods that are extremely different from those in vogue a century or half a century ago . . . But the system has become anomalous, and, as to often happens when an anomaly persists through a long period of time, the result is to make into the master what ought to be the servant."

Ye have been called unto liberty; only use not liberty for an occasion to the flesh, but by love serve one another.—*Galatians v. 13.*

THE BRIDGE—July, 1943

If You're Human,

You Don't Like to Pocket Your Members' Insurance!

The amount of life insurance left by the average deceased borrowing member, after payment of final expenses, is little enough. Reduce this meager sum further, in the amount of an unpaid Credit Union loan, and you really have the widow and kiddies on the spot. Not a pleasant thought, to be sure, and yet there are credit unions, fortunately not many, that insist upon the assignment of group or individual life insurance policies as a means of assuring the repayment of loans in the event of the death of the borrower.

How much more human it is to provide your members with Loan Protection Insurance through the CUNA Mutual Insurance Society. Should the borrowing member die or become totally and permanently disabled CUNA Mutual promptly pays the loan in full. The deceased's life insurance is thereby left intact for the welfare of his dependents as it rightly should be.

Write today for our free leaflet on
Loan Protection

**There is No
War Clause in
our contracts!**

CUNA MUTUAL INSURANCE SOCIETY
Madison, Wisconsin



*don't keep
your light
under a
bushel!!*

Credit Union POSTERS (size 10½x14), beautifully designed and in brilliant colors, each one of them advertising some seasonal credit union service—cost a nickel each. Buy a set of 25 for \$1.25 (less 20% to member credit unions). Then you can change the posters on your bulletin board frequently and will always have in stock posters to advertise seasonal activities, such as publicizing loans at Christmas time and for vacation, tax loans and loans for education, to pay doctor bills, etc. IN NO OTHER WAY CAN YOU BOOST YOUR CREDIT UNION SO ADEQUATELY FOR SUCH A SMALL OUTLAY.

*Your State League if it
Handles Forms, or*

**CUNA SUPPLY
COOPERATIVE**

Madison 1, Wisconsin

New Credit Unions in May

Twenty-three new credit unions have been reported chartered in the United States and Canada during May.

By States and Provinces:

California 3, Connecticut 1, Florida 2, Georgia 1, Missouri 2, Ohio 3, Pennsylvania 2, South Carolina 1, Texas 1, Washington 1, Wyoming 1, Manitoba 1, New Brunswick 1, Nova Scotia 1, Prince Edward Island 1, and Quebec 1.

In the Press

"Cooperative action in the use and control of money power is fundamental," says E. K. Augustus, Assistant Secretary, Farm Bureau Agricultural Credit Corporation, in an article entitled "The Power and Use of Cooperative Money," which appeared in the June issue of the *Ohio Farm News*, a publication of the Ohio Farm Bureau Federation.

Augustus points out how credit unions benefit the members and how a credit union can be started.

The "Parade of Checks" at the recent Illinois League Annual Meeting, made the June 15 issue of *The Minute Man*, news letter of the war savings staff of the U. S. Treasury.

A good description of the parade is given, as well as a picture showing a part of the "Parade of Checks."

Consumers Asked To Stock Coal Now

Bituminous coal dealers and consumers, both industrial and domestic, served by Great Lakes docks were urged by Solid Fuels Administrator Harold L. Ickes to accept delivery of next winter's coal this summer instead of letting it accumulate in huge piles on the lake docks.

He said that summer deliveries are necessary to cut down the size of the coal piles on the docks to save the loss of fuel by spontaneous combustion, and to prevent transportation of coal from the dock to users from becoming congested next winter.

Coal, transported via lake vessels, is customarily stored on the docks during the summer, and during the winter is trucked or shipped via rail to dealers and users in Minnesota, North and South Dakota, Wisconsin, Michigan and other parts of the North Central States.

Recent Bureau of Mines surveys reveal considerable losses of coal due to spontaneous combustion in the huge piles on the docks. In many cases, agents reported that normal safety

measures have not been carried out by the dock operators.

"Because of the late opening of lake navigation and wartime handicaps to production and transportation, we shall be hard pressed to get enough coal onto the docks to meet this year's increased requirements," Administrator Ickes said.

"Since we shall need every ton we can produce and distribute, I cannot emphasize too strongly the necessity for preventing the destruction of coal on the lake docks by spontaneous combustion."

It is estimated that consumers usually served by lake carriers will require 59,790,000 tons of bituminous coal this year as compared with 51,209,350 tons moved by lake in 1942. Restrictions curtailing lake movements of coal to increase the availability of carriers for iron ore have been announced by the Office of Defense Transportation.

The Bureau of Mines is now making a study of methods used in protecting stockpiles, and provides technical advice on methods of preventing spontaneous combustion and degradation.

Somewhere in the Middle East

To the Editors:

News from North Africa is wonderful, Von Arnim a prisoner of war and the whole campaign closed up with a glorious victory.

Everything I am doing is very far removed from the sphere of Credit Unions. The Army makes various provisions to benefit soldiers who want to save. In addition to a good insurance scheme, it permits allotments to be made so a soldier will not have to keep too much money on his person. Purchase of victory bonds is facilitated. Another factor that is basic in any thrift program is adequate wages or pay. As you know, American soldiers are better paid than British, German or Italian soldiers.

I cannot help but think that the world will be ripe for a credit union expansion after the war is won. Look at all these countries over here where credit unions are unknown.

Apparently THE BRIDGE is doing well in spite of the unsettling conditions of total war. Oblige me by remembering me to our mutual friends in CUNA.

HARRY C. BAUER.

P.S. I almost forgot. I want to share with you the good news of my promotion to Major in the Air Corps which became official on May 1, 1943.

Major Harry C. Bauer,
Headquarters, 98th Bomb Group,
APO 683, c/o Postmaster, New York.

MORE ABOUT AUDITING

By Roy F. Bergengren

I WAS talking with a man the other day who has organized a great number of credit unions in his home State and has contacted credit unions in almost every State in the Union. I was so impressed with what he said that I am going to try to reproduce it rather than discuss some specific cases of good auditing, as I had originally intended for this article. Here's about what he said:

"If I had my way and really had the responsibility for decreasing credit union defalcations I would first drop the word 'supervisory' out of our credit union language. I wouldn't have any 'supervisory committees' nor would I permit State or Federal departments to exercise supervisory functions. I would substitute the word 'auditing' and I would limit the functions of the committee, which we call the 'supervisory committee,' to auditing and I would, in similar fashion, limit the function of the State and Federal departments to auditing. If the average State department which now 'supervises' credit unions would spend the time they now use in telling credit unions how to run their business to the single function of auditing credit unions, in order to be sure they are run honestly, there would be very few defalcations which wouldn't be detected while the stealing was very small.

"The Board of Directors is responsible for the management of a credit union; they are the committees which should 'supervise' the operation of the credit union and the credit union auditing committee should confine its efforts to real auditing. Again I have found an inclination on the part of supervisory committees to mind everyone's business and to overlook their own business. Their job is to make enough of an examination occasionally to make very sure indeed that the treasurer's books are in order. They are his best friend and the treasurer's greatest boast will be that the auditing committee has really done their job and has found everything in proper order. I have known altogether too many cases where the directors didn't seem to have any interest at all in the honesty of the treasurer and where the supervisory committee did practically no work at all.

"Auditing a credit union occasionally is enough of a job for the committee without leaving to them the business of trying to usurp that which is the real function of the directors.

"I would make every director understand that it is his personal responsibility to see to it that the credit union is run honestly and that the auditing committee is his best personal protection to that end. Therefore he is responsible to see to it that the auditing committee is replaced with a new committee whenever it fails to function properly.

"Our problem isn't that the number of defaulting credit union treasurers is increasing rapidly. The Credit Union National Association has to do with the bonding of at least eight thousand credit union men and women who handle money. The percentage of this number who are dishonest is so small that it isn't a problem. I believe that over 90% of all credit union treasurers would run their affairs honestly without any examination at all. The difficulty is that neither the State nor Federal supervisory agencies nor the so-called supervisory committees catch the defaulting treasurer when his stealing is negligible. They not only leave the barn door open and the horse unhitched but they give the horse four or five years head start before they go out to try to get it back in the stable. *Catch all defalcations as near the point of origin as possible and the job would be done.* This can be done by piping down on 'supervision' and emphasizing 'auditing'—both by the State or Federal agency and by the auditing committee."

I think the whole story is pretty much contained in this opinion from a credit union veteran who has been contacting credit unions since long before most of us knew there was such a thing.

Meantime—this gives us something to shoot at. I have a notion that the time will come when both the State and Federal government will leave the matter of auditing to the state leagues. Then each league will employ enough skilled auditors to assure every credit union an intelligent, sympathetic annual audit on a cost basis. What is, I believe, the eventual solution. For the time being, however, it is strongly urged that all chapters make credit union auditing the first subject for discussion in the chapter meetings of the immediate future. And every credit union must awake to the true significance of the situation with which we are confronted. Supervisory (auditing) committees must be aroused to their full responsibilities.

The biggest job of any Credit Union is to inform the membership!

How are your members going to know what the credit union can do for them in these busy war times if you do nothing to inform the membership?

WE SELL—

Credit Union advertising blotters

Credit Union pay roll inserts

Credit Union war bond envelopes (to protect your war bonds)

Credit Union leaflets and pamphlets

Credit Union publicity reprints

Credit Union Victory buttons

It is doubly important now that sustained efforts be made to publicize your credit union to its members. Some are doing that; some are not doing it, and that is why in some credit unions business is holding up extremely well in spite of the war while other credit unions are practically at a stand-still. Now is the time to

TELL YOUR MEMBERS ABOUT THE CREDIT UNION!

Write us and we'll give you the details which will help your advertising campaign.

**CUNA SUPPLY
COOPERATIVE**

Madison 1, Wisconsin

New Charges to Defray Costs of Savings Accounts

Maintenance and activity charges have been imposed upon savings deposits at the Westport Avenue Bank, Kansas City, Missouri. This action was explained as follows to the depositors:

"Because the costs of insuring and protecting your deposits are getting increasingly higher and because the income from that portion which we are able to invest is getting increasingly lower, it becomes necessary for your bank to recover part of its cost particularly from those savings accounts which, from the number of withdrawals, are not genuine savings accounts. You will note that genuine savings accounts are affected little by these changes in our regulations—less than 10 cents a month." It was suggested that depositors having frequent withdrawals might want to open checking accounts.

The new charges are outlined below:

1. To cover the maintenance, servicing and insuring of savings accounts the bank will deduct from the interest credit a maintenance charge of 50 cents for each six-month interest period or part thereof. If the interest credit is not sufficient, a charge will be made against the account.
2. No charges will be made for deposits to savings accounts and four free withdrawals will be permitted each six months. On additional withdrawals an activity charge of 25 cents for each withdrawal over four will be deducted from the interest or charged to the account.
3. No interest will be paid on accounts in excess of \$1,000 but a credit on such excess balances will be allowed against any charge which might be made on the account.
4. Unless the net interest amounts to 50 cents on interest-paying dates, no credit will be made for that period.
5. In the event any savings account is closed within one year of the date it was opened, a service charge of \$1 will be made to defray the expense of pass book, ledger sheet, Federal Deposit Insurance Corporation insurance and opening the account.—The Borrowers Clearing House.

Bound volumes of THE
BRIDGE for 1942 are
available at \$3 apiece.

Free Storage for War Bonds

The Federal Reserve Bank in your Federal Reserve District will store your War Bonds for you, if you desire the service, for which there is no charge.

All that is necessary, is that you or the agent from whom you purchase your War Bonds, send your bonds to the Federal Reserve Bank. The bank

will issue to you a receipt. This receipt, you must surrender, when you wish your bonds.

Your local postmaster has special blanks and envelopes which have been developed to expedite this service.

Individuals, and credit unions or other corporations may avail themselves of this free protection service for their War Bonds.

Pros and Cons of Patronage Dividends

Note: A patronage dividend in any cooperative is a dividend paid to customers based on the use they have made of the cooperative's services. Thus, in a grocery co-op, the member who has bought the most groceries gets the largest cash rebate. Some credit unions pay patronage dividends to borrowers as well as dividends on deposits. Whether all credit unions should do this is a disputed point.

Mr. Pro States His Case:

A credit union exists to help all its members, borrowers and savers. If we pay dividends only to savers, we are not thinking about borrowers as much as we should. In most credit unions 60 per cent of the members are borrowers, and the money involved is substantial. But in most credit unions the percentage of members who save significant amounts is much smaller.

I say that paying a patronage dividend to borrowers is a duty we have to our borrowers, who as much as savers should share in the benefits of the credit union. After all, it is the interest on the borrowers' loans that makes dividends possible; dividends come out of their pockets, and it is only fair that some of it go back to them.

And I also believe that paying a patronage dividend is a way of encouraging thrift. If a borrower pays off a loan and finds at the annual meeting that he has a small lump sum of cash coming to him, he can be encouraged to consider this a nest egg—the first step in a thrift program.

Mr. Con States His Case:

In the first case we are doing the borrower a big service by charging low interest rates. In effect, he gets his patronage dividend before he takes out his loan. When the borrower pays interest rates equal to one-third those he would pay to a loan company, I think he is being benefited as much as the saver who gets a dividend of 6 per cent.

In the second place patronage dividends never amount to very much in actual cash. The few cents involved don't justify all the bookkeeping that has to be gone through.

In the third place it would gail me to pay a patronage dividend to a borrower who never met his payments on time and always had to be needled into paying up. Why pretend that we like delinquent borrowers?

Mr. Pro Rebutts:

To deal with last things first: the delinquent borrower pays for the privilege of being delinquent in extra interest. The patronage dividend is figured as a percentage of interest paid. So he isn't getting away with murder by being delinquent. I suspect that payment of a patronage dividend to a member who has been habitually delinquent for no good reason might wake him up a bit to the meaning of the credit union. Certainly when the member has been justifiably delinquent, we have no reason for denying him a full measure of credit union benefits.

While patronage dividends are sometimes small in cash, so are savings dividends. Most of the savings dividends go to a small group who have a large investment, but there are many many savings accounts between five and ten dollars, and 3 per cent of them doesn't amount to much. Generally the group that really benefits by the dividend on savings is small.

Furthermore, patronage dividends are not hard to figure.

But most of all I want to emphasize the psychological effect of patronage dividends. I think they are more effective, because more dramatic, than our interest rates. Interest rates are taken for granted, but patronage dividends are a tangible demonstration of the fruit of cooperation.

Mr. Con Rebutts:

I still think they are more work than they are worth. If you want your members to be conscious of the full meaning of the credit union, it takes more than patronage dividends to do the job. You need a full educational program. In fact, I think the payment of patronage dividends, because it is an unusual and unfamiliar practice to most people, calls for a lot of explanation and discussion—in other words, a lot of education. I think we can run a true cooperative without paying trifling dividends on interest.

What do you think?



TAXES...

—are yet with us, only more so! Savings every pay day in your credit union will lessen their sting. And if you must borrow, have you found out about the benefits of a credit union loan?



OUCH!

AND the longer you wait the more it'll hurt you and your pocketbook. If it's lack of money that is holding you back, do you know that your own credit union is always ready to make helpful loans, planned to meet your needs?

Credit union officials will find the above helpful in preparing informational material about the services their credit unions offer their members. These may be used—either without change or adapted to special uses—in payroll inserts, fliers, blotters, posters, bulletins, advertisements, company house organs, or other appropriate mediums at hand.

The illustrations may be traced on mimeograph

stencils, reproduced directly by a photo-offset process, or made into line-cuts for the standard letter-press printing.

Each release should, of course, also contain full directions as to when and where credit union service may be obtained. The name of the credit union, its location, its business hours, and any other helpful information should be given.

Start now to plan your

VACATION

thru the

**CREDIT
UNION**

